The Real Estate ANALYST

APRIL
1946

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.... Surveys....Forecasts

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VOLUME XV

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

CONGRESS AND THE OPA

THE recent revolt in Congress against the high-handed tactics of the OPA is quite encouraging. While probably the Senate will liberalize the House action, it now seems that the days of the OPA are numbered, and that it must operate from now on on a realistic basis.

As a result of this expression of congressional attitudes, the staff of the Real Estate Analyst believes that further inflation in the United States will be limited, that the price level will probably reach its highest peak some time in late 1947 and that this peak will not be so high as would be reached were the OPA to continue to restrict production. It has been our conviction for some time that present price pressures are due to two causes: (1) the permanently lower purchasing power of the dollar due to the multiplication of dollars of currency and credit as a direct result of the war and of our fiscal policies; and (2) scarcities which have been greatly aggravated by the price policies of the OPA.

During the war period rationing and price controls did not have the objectionable features from the standpoint of civilian production that they have now. Then our major effort was the production of war equipment and it took the entire producing capacity in many of our industries to take care of war demands. An increase in civilian prices at that time would have increased the output of civilian goods but only by competing against war production. The war has been over now, however, for many months and war production is no longer necessary. Price levels sufficient to provide a profit are essential to all-out production for peace and the very volume of this production, if price ceilings are removed, will prevent a rise in the price level above that justified by our diluted dollars. We are firmly convinced that any efforts through price control to give the diluted dollar the purchasing power which it had before the war would be futile. With or without price control, general prices will come to rest at a level very much above the prewar level and probably above our present level. The one chance to prevent inflation from going to extreme lengths, however, is to produce in tremendous quantities. American industry has proven that it can produce but it cannot if it is continually hog-tied by the type of restrictions which the OPA has endeavored to enforce.

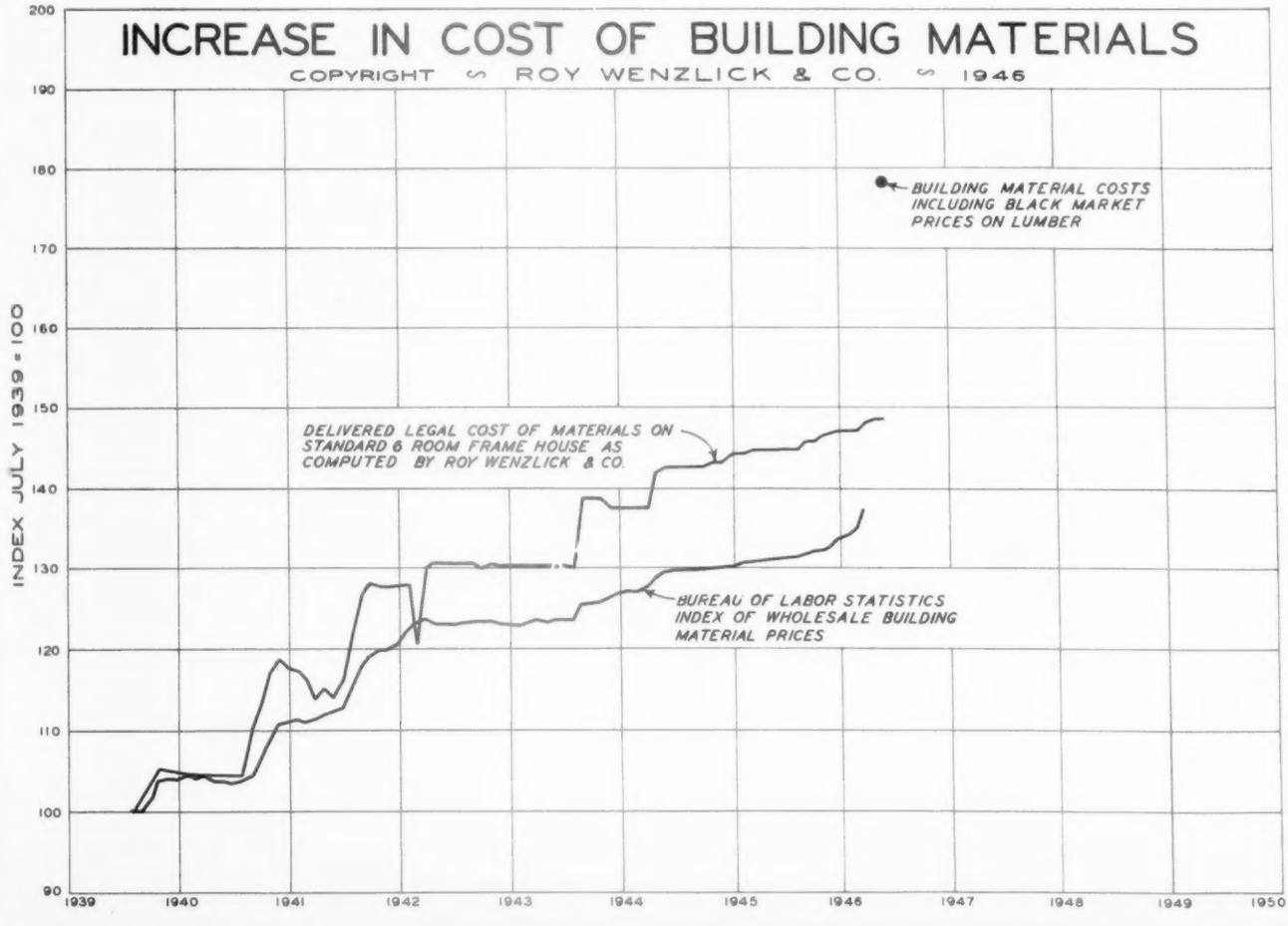
The chart on the following page shows the fluctuations since the beginning of the war in Europe in the cost of the building materials which enter into the erection of the six-room standard frame residence in St. Louis in comparison with the index of the United States Bureau of Labor Statistics, of the wholesale prices of building materials. It should be stressed that the prices of materials as computed for the standard six-room house are legal prices only, as no black market figures are included. It is common knowledge,

(cont. on page 110)

(cont. from page 109)

however, that in the building field black markets have grown to tremendous proportions. Lumber is currently quoted at prices from 20 to 30 dollars a thousand board feet above the price ceilings. Were black market figures included in the material cost of our six-room frame house, the increase from the beginning of the war would be far greater than the 48.3 per cent shown on the chart and the difference between the actual cost of delivered materials on the job for this house and the wholesale index of building materials as computed by the Bureau of Labor Statistics would be far greater. We have not been able to estimate the cost of building this house with black market materials as there are no quoted prices and deals are generally arrived at by bargaining back and forth. The black market price on lumber, however, in most areas of the United States is more or less ascertainable and the dot on our chart indicates the cost of the materials going into the house if the black market price on lumber is substituted for the legal price. The actual cost of building the house as it is built in many cases would exceed this figure. The blue dot on the chart is 78.2 per cent above the level of September 1939.

The figures charted here should not be confused with the total cost of building the standard six-room frame house in St. Louis, as this chart covers only the building materials used in its construction and does not include any site labor or overhead expense. Adding labor and overhead expense to the black market material prices as shown by the dot above increases the cost to a point 83 per cent above September 1939.

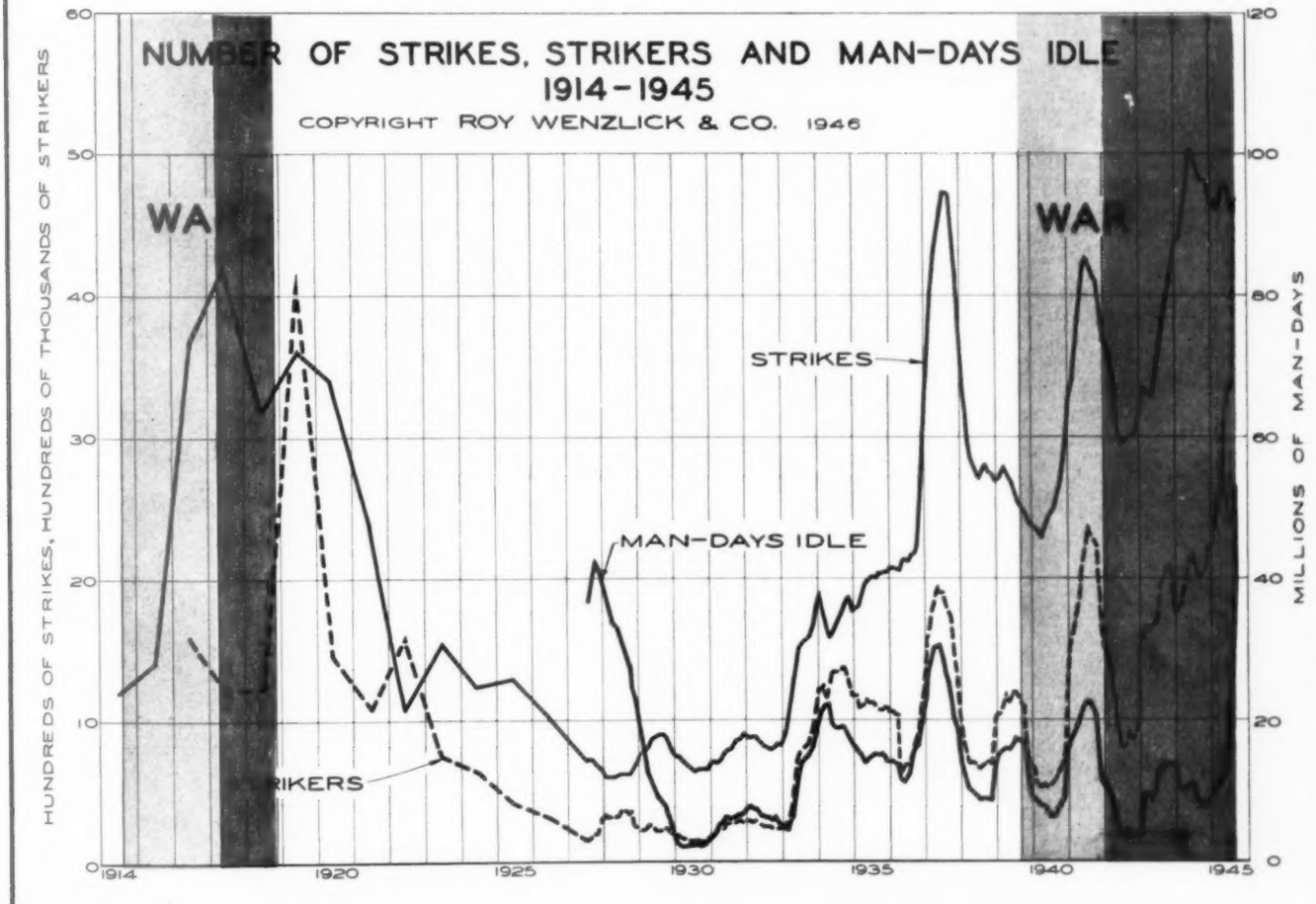


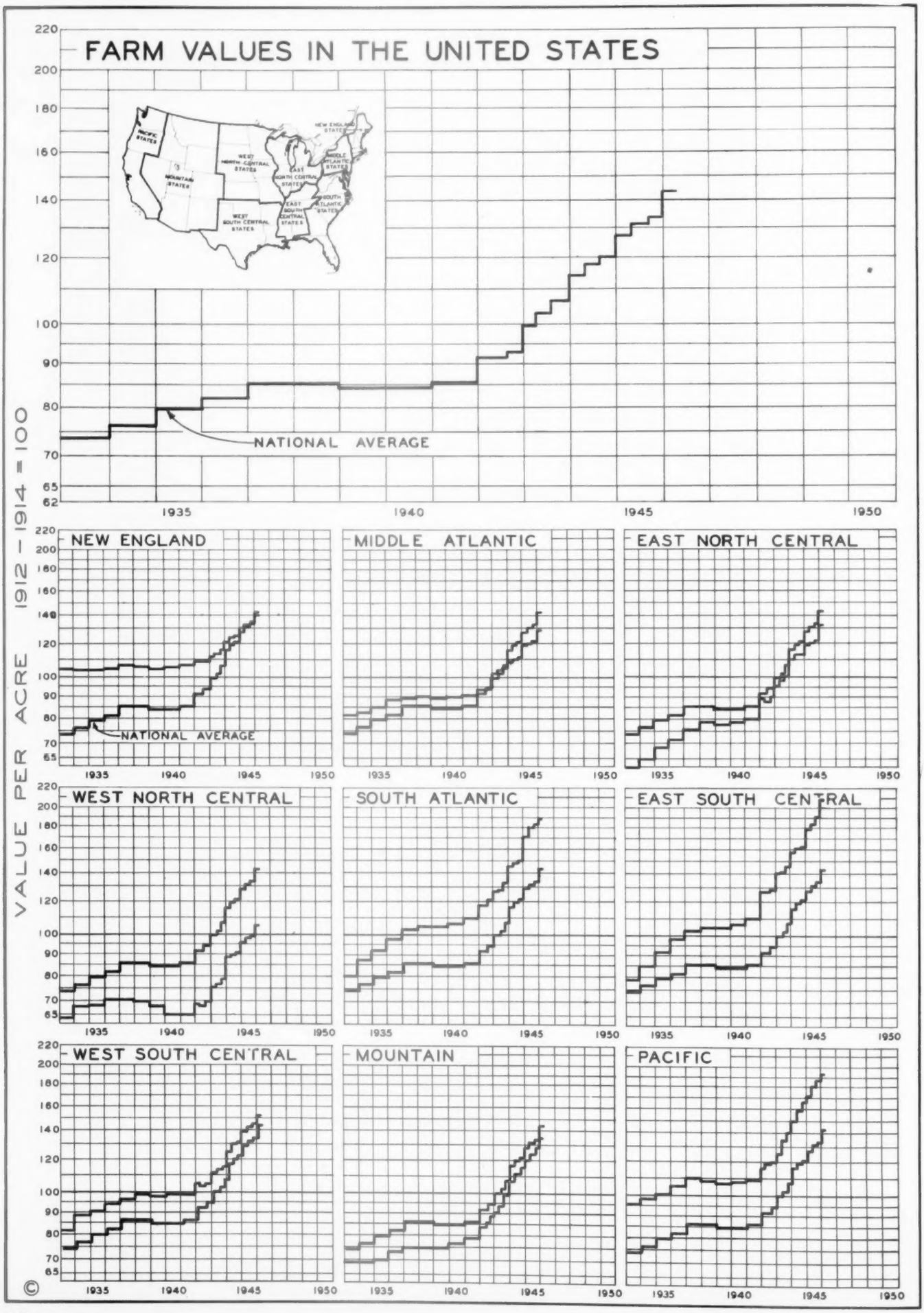
STRIKES AND LABOR TROUBLE AT NEW HIGH

STRIKE and labor trouble figures are charted below by years from 1914 through 1926 and by months, using 12-month moving totals, for the later years. Strikes, together with the workers involved, are counted for the month or year in which they began, while the number of man-days idle covers all work stoppages. The war periods are shown in red on the chart, with our participation in the wars shown by a darker tint.

This chart will show quite clearly the heavy labor trouble which accompanied the first World War and the very large strikes, indicated by the sharp increase in number of strikers, which occurred shortly after the end of the war, in 1919.

The large number of strikes which occurred during the second war period in relation to the number of strikers and man-days idle indicated that there was a considerable amount of labor trouble in small plants as well as in larger ones. During the last few months, however, there has again been a tremendous increase in the number of strikers involved and also in man-days idle, reflecting the postwar wave of larger and longer strikes. In all probability the peak, particularly in man-days lost, has not yet been reached on this chart.




FARM VALUES IN THE UNITED STATES
VALUE PER ACRE 1912 – 1914 = 100
220
200
180
160
140
120
100
90
80
70
65
62
1935
1940
1945
1950
NATIONAL AVERAGE
PACIFIC STATES
MOUNTAIN STATES
WEST NORTH CENTRAL STATES
NEW ENGLAND STATES
MIDDLE ATLANTIC STATES
EAST NORTH CENTRAL STATES
WEST SOUTH CENTRAL STATES
EAST SOUTH CENTRAL STATES
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EAST SOUTH CENTRAL
WEST SOUTH CENTRAL
MOUNTAIN
PACIFIC
©

CITY-BY-CITY MEASUREMENT OF BUSINESS CONDITIONS

FOR many years we have been attempting to measure the factors which affect real estate city by city. Local influences are greatly important to real estate investments. Unlike other commodities, real estate is fixed in location and cannot be taken to a favorable market. An over-supply of office space in one city cannot be moved to another city where a shortage exists. A housing shortage in one community cannot be filled by a surplus from another.

In this report we are attempting a new type of measurement of business activity in all of the principal cities of the United States. The primary purpose of this measurement is to determine whether any given city is faring better or worse than the average of all cities. This fact is generally hidden in city charts by the fact that during certain periods all cities, regardless of how backward they might be at the time, are showing an improvement and at other times all cities, regardless of how progressive they might be, are suffering from diminishing business.

The charts on pages 114 through 121 show each city from 1919 through 1945 considering the average (median) business of all cities as indicated by check transactions (debits to individual accounts) as normal. A red bar in any year on the chart for any city indicates that in that year business did not fare as well as it did on the average throughout the United States. Conversely, a blue bar in any year would indicate that business in that year in that city was better than it was generally throughout the country.

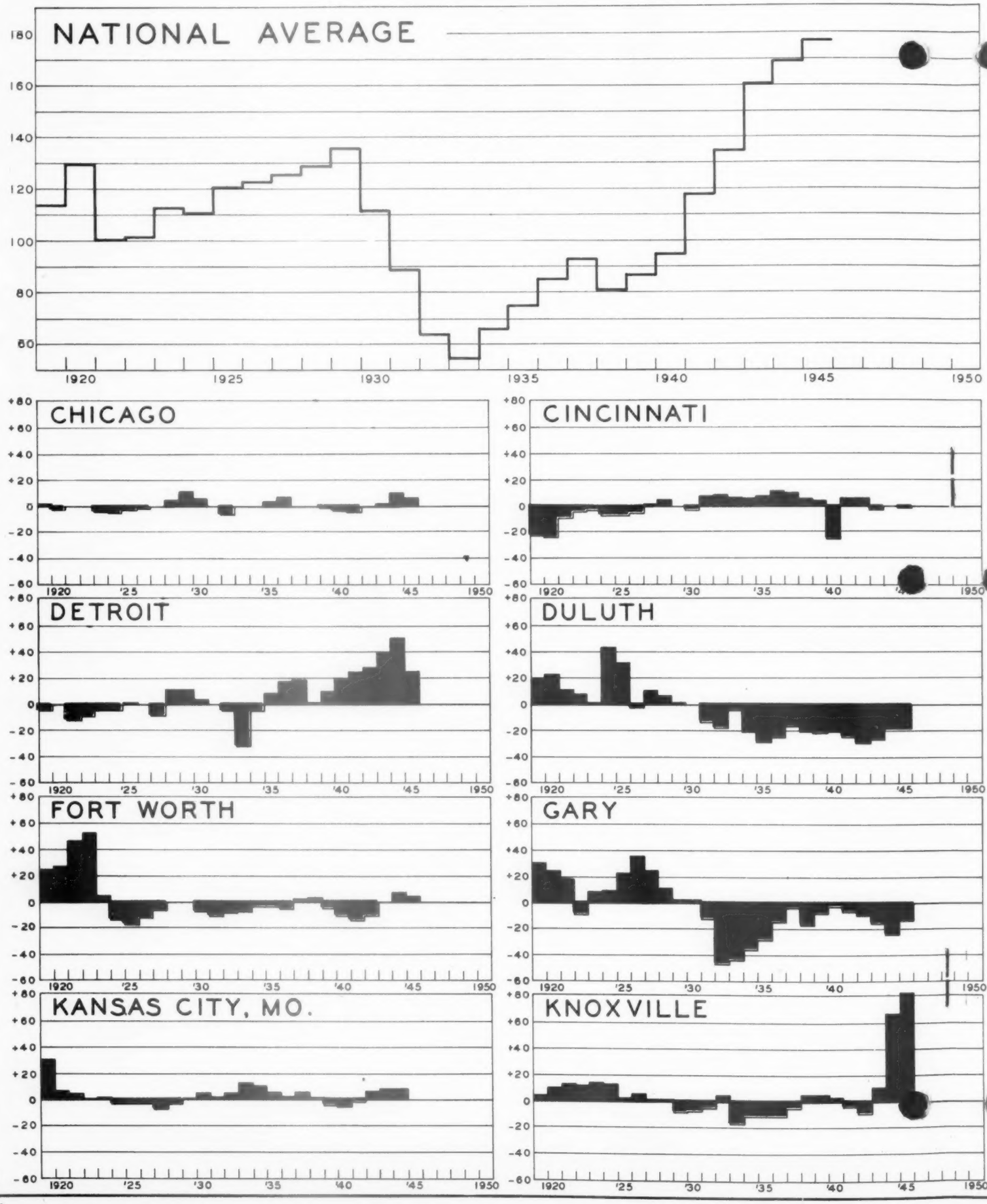
The large chart in the upper left-hand corner of page 114 shows the average of all cities in the United States. This could be considered as a general index of American business. It is the base on which each individual city has been computed in this series.

The figures for all cities have been corrected for changes in population. Had this not been done, all rapidly-growing cities would show business above the normal of the country and slowly-growing or static cities would show business below normal. In arriving at the normal for this series the period from 1921 to 1938 was considered as 100. This is a period of eighteen years and was selected because it coincides in length with the major real estate and capital goods cycle for the country. It also has the advantage of ending before the beginning of the Second World War, so it was not distorted in any fashion by the war changes.

Even a glance at the charts for the various cities will show the wide difference in business conditions in different communities. The cities in which business activity has been much above the national average are good cities from the standpoint of mortgage lending and from the standpoint of the future of real estate values. Well-located business properties in these cities should fare better than similar properties in cities not reacting as well.

Cities which have consistently been below normal in recent years are "sick cities" and it behooves their residents and business leaders to do everything possible to bring them back to a healthy condition. In some communities this will be possible; in others, the difficulty may be greater and more fundamental. In certain sections of the country a far larger percentage of "sick cities" will be found and in other sections almost all cities will be prospering above the general average.

CITY - BY - CITY V



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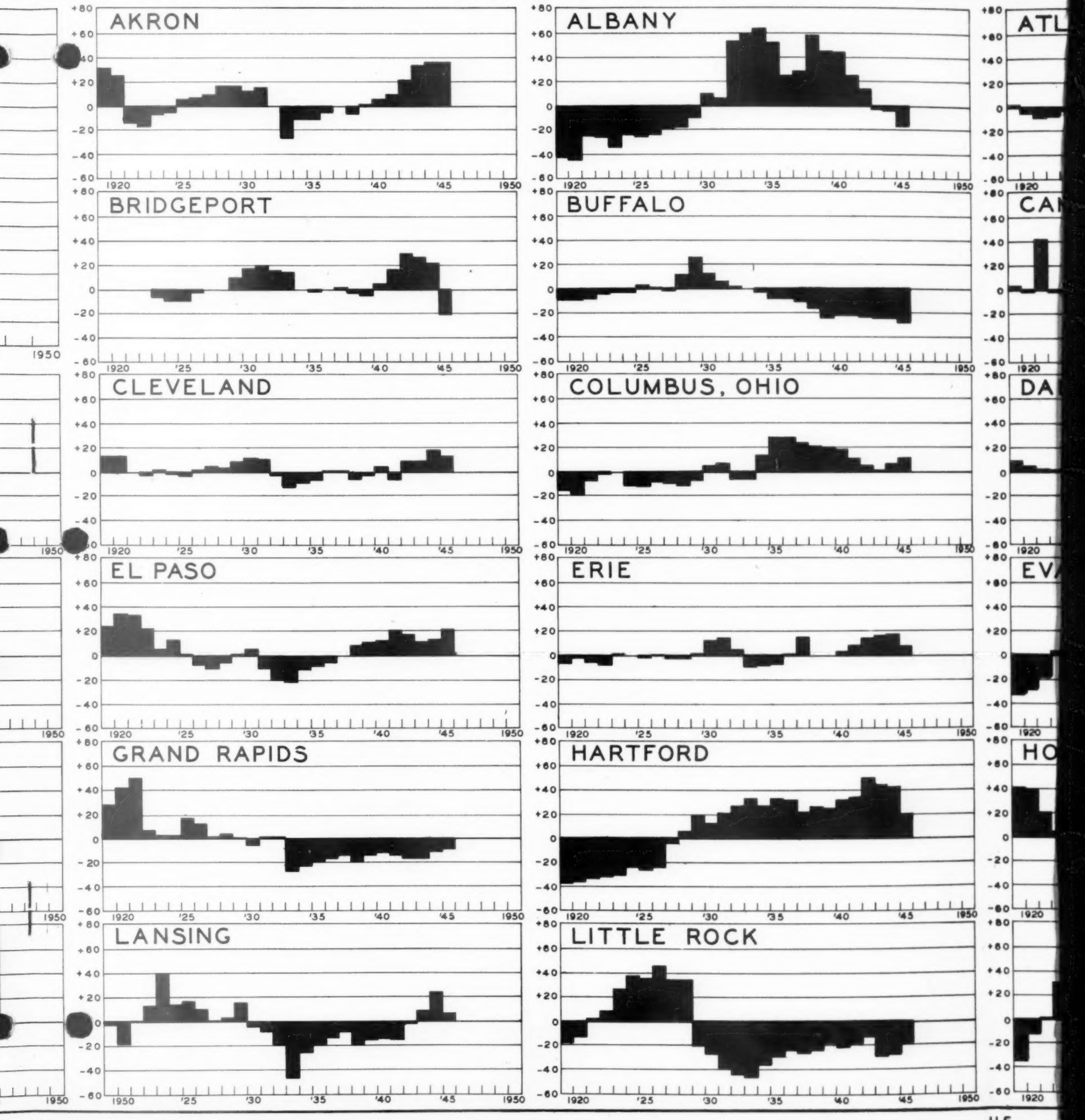

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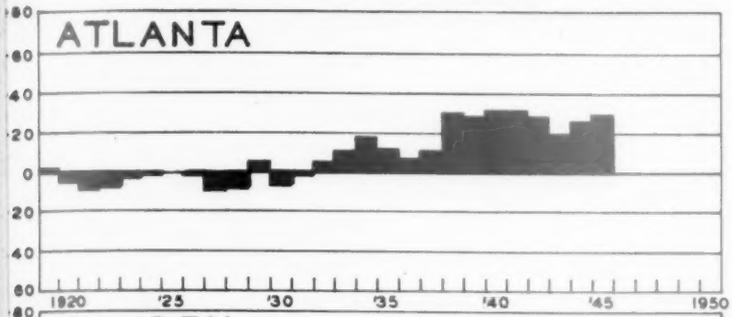

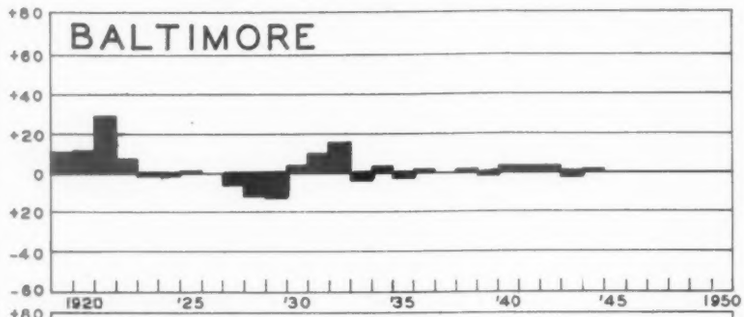

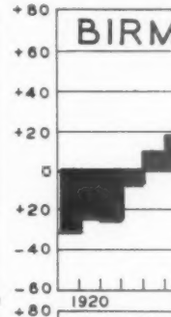

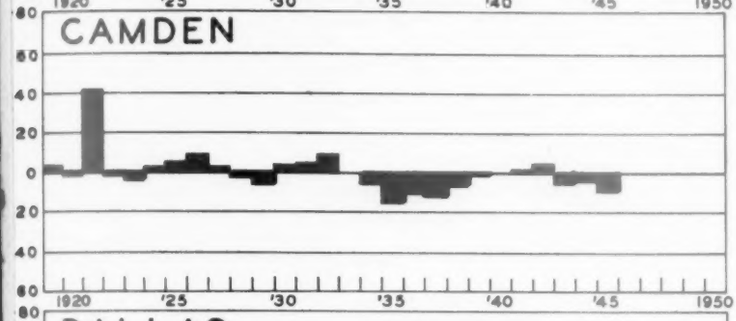

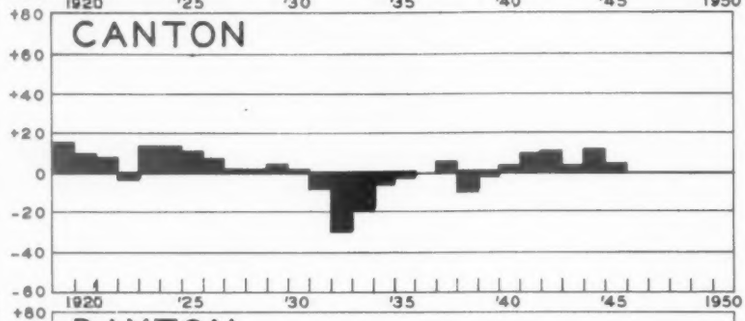

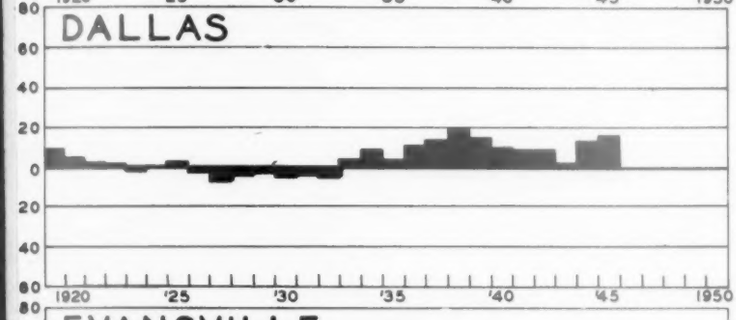

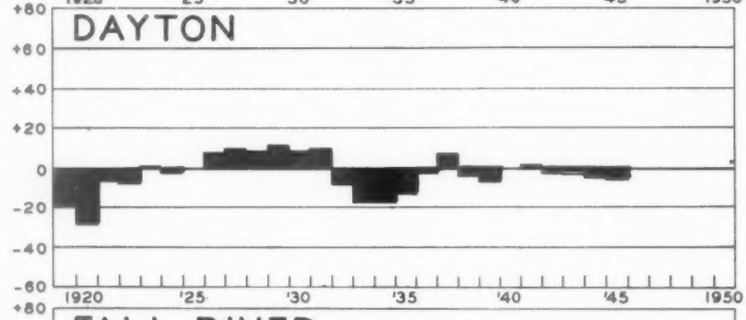

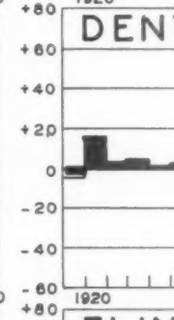

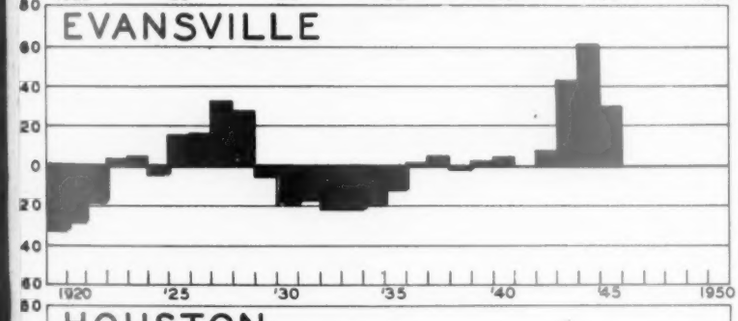

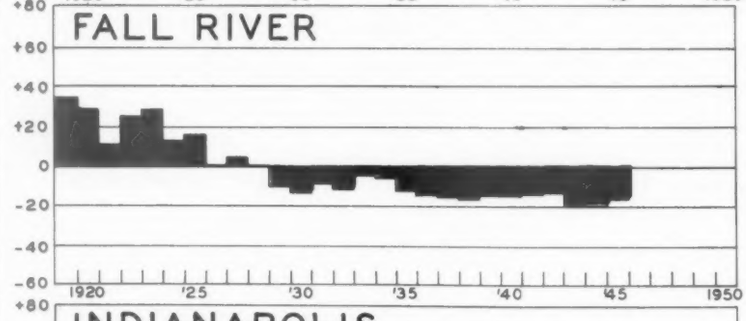

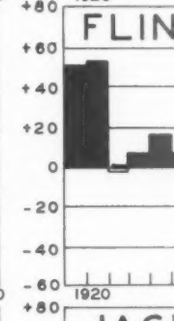

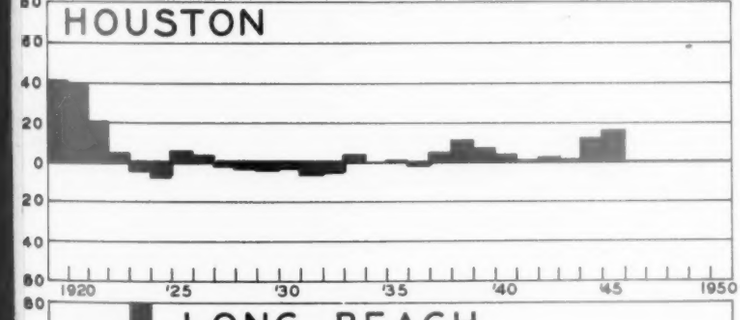

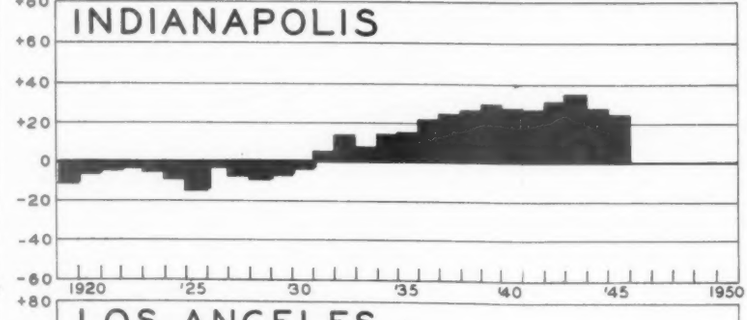

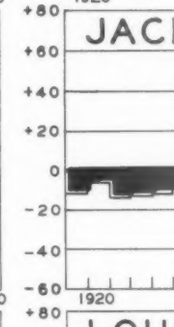

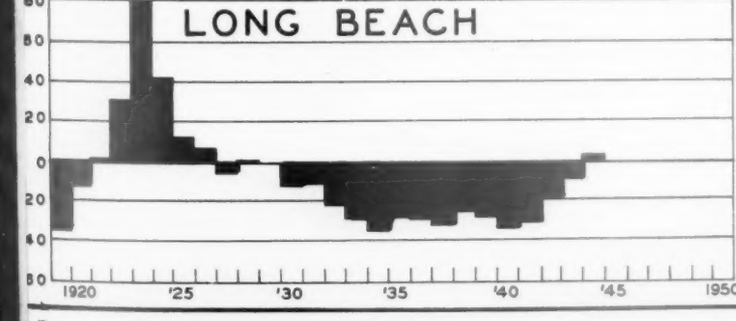

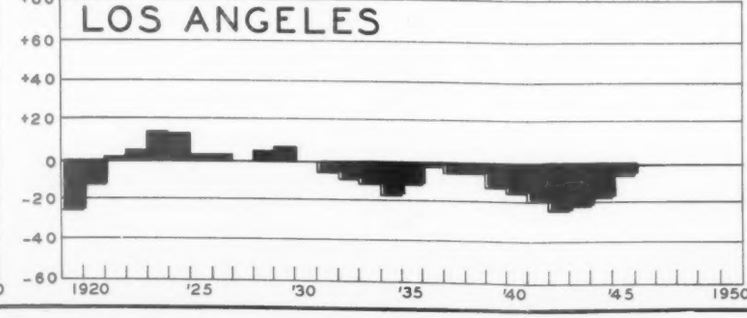

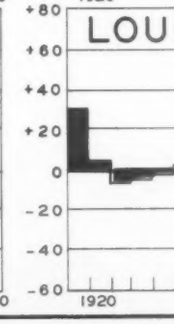

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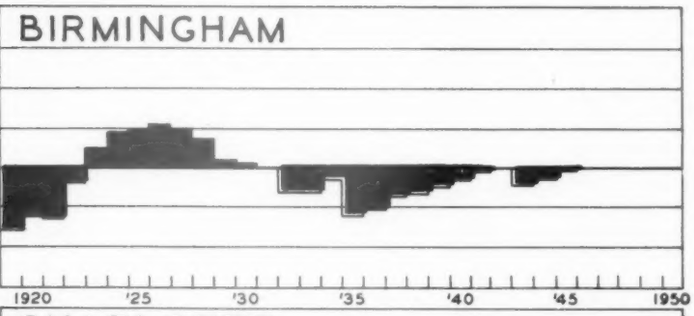

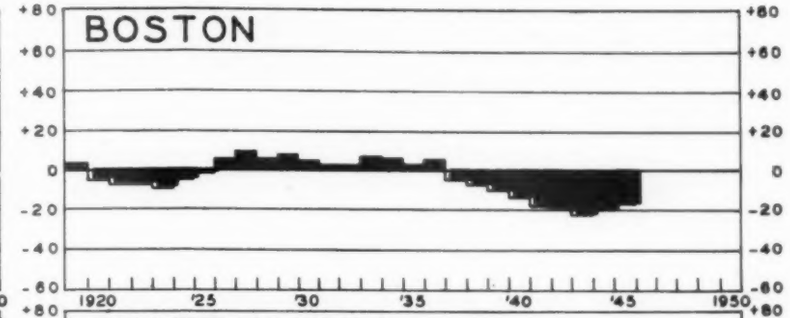

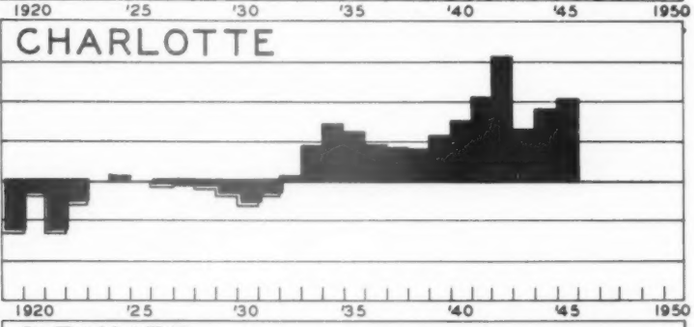

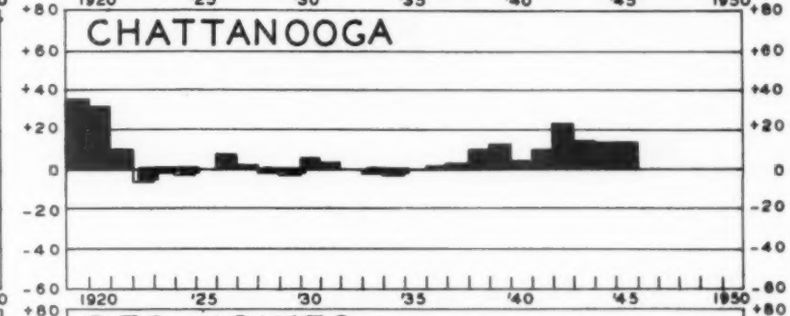

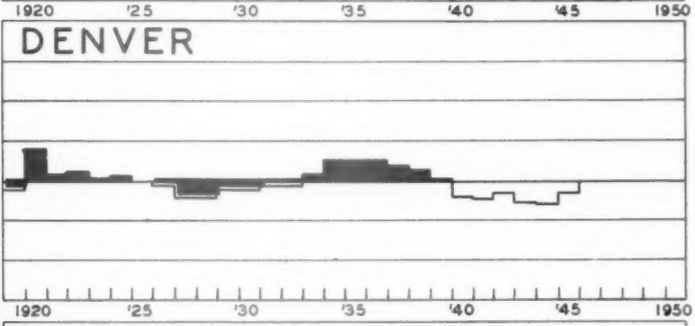

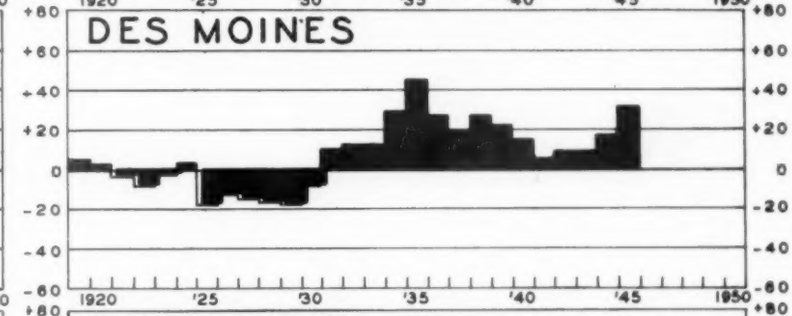

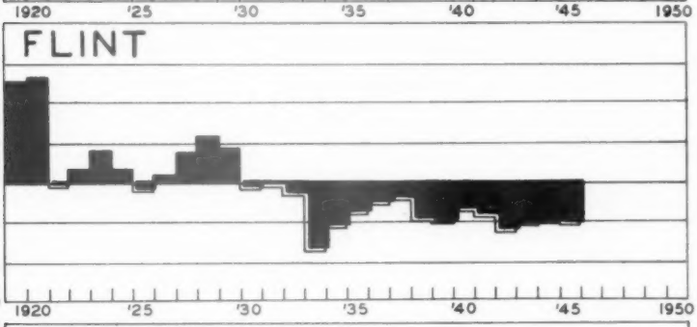

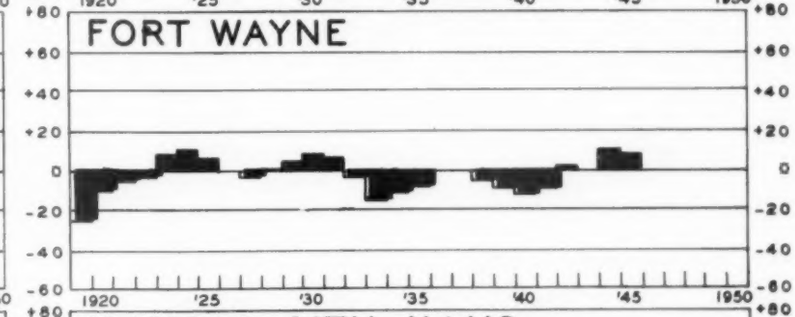

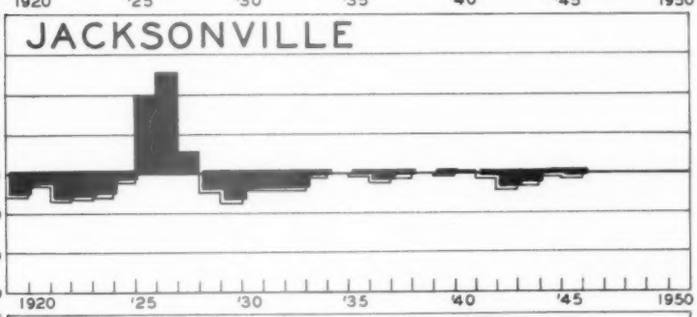

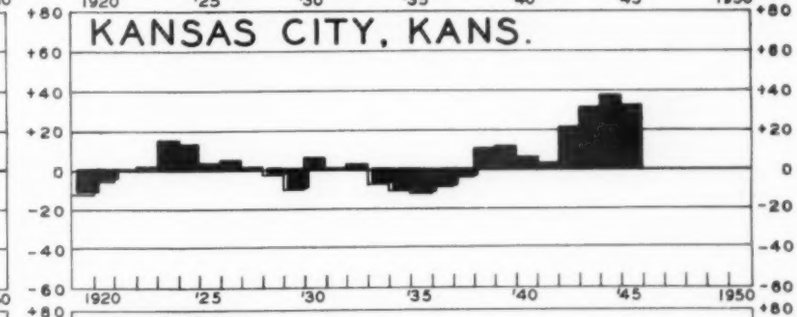

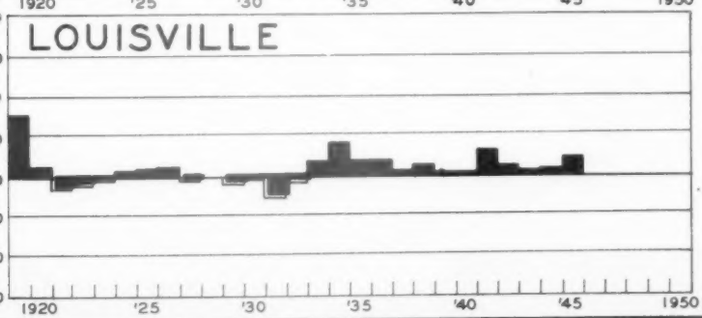

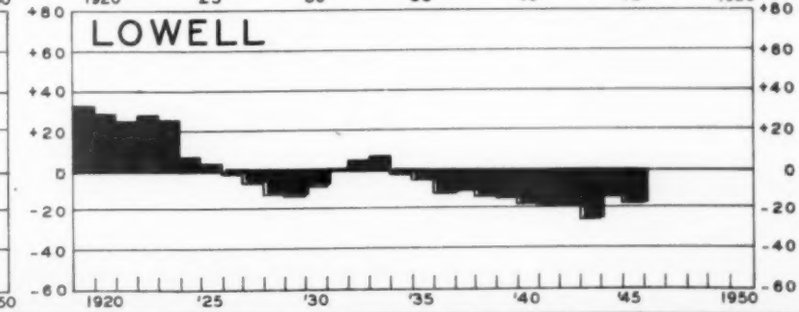

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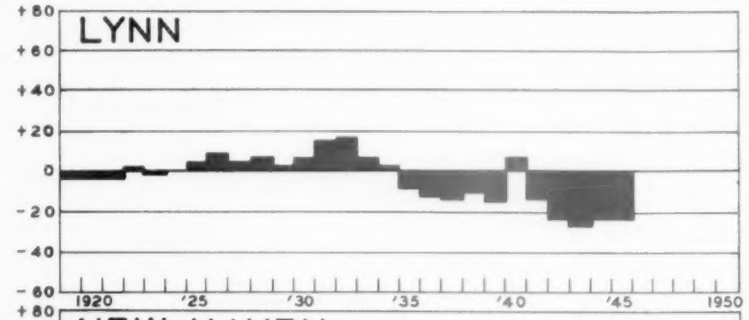
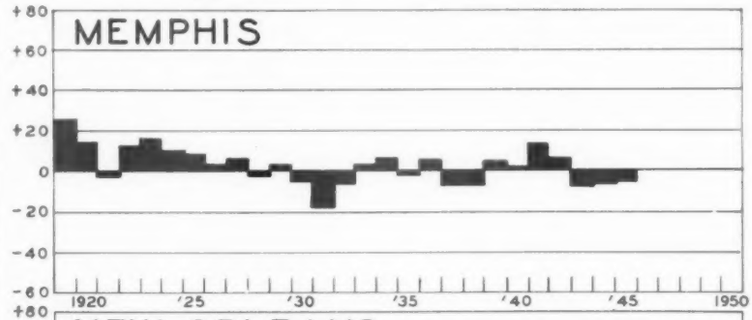
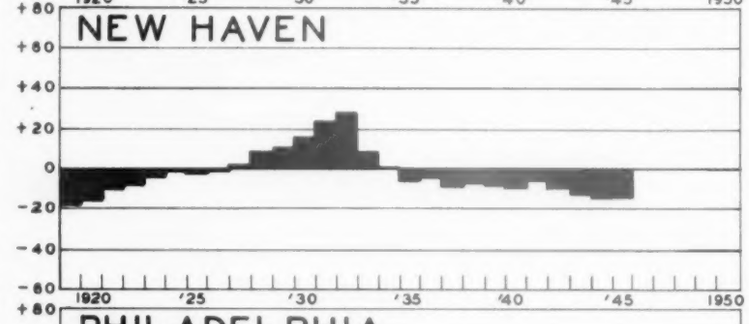
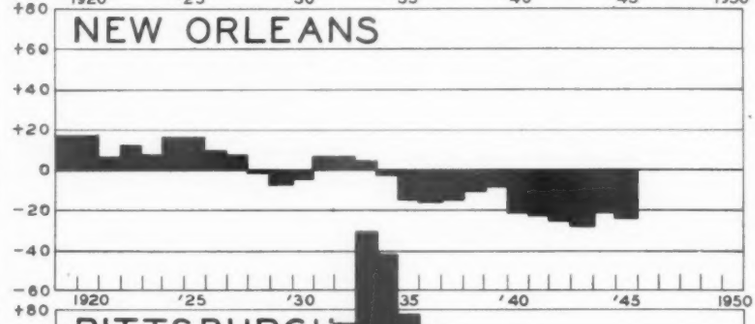
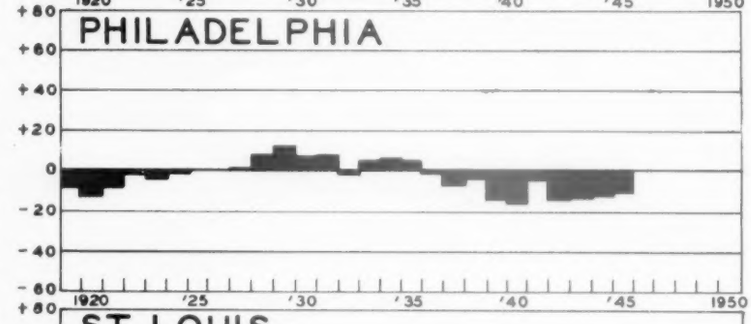
PERCENTAGE DEVIATIONS FROM NATIONAL AVERAGE

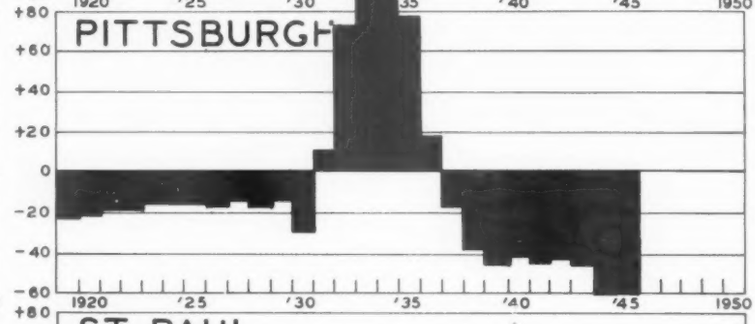


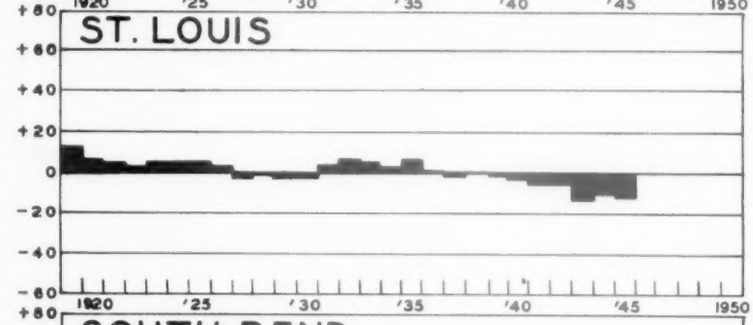


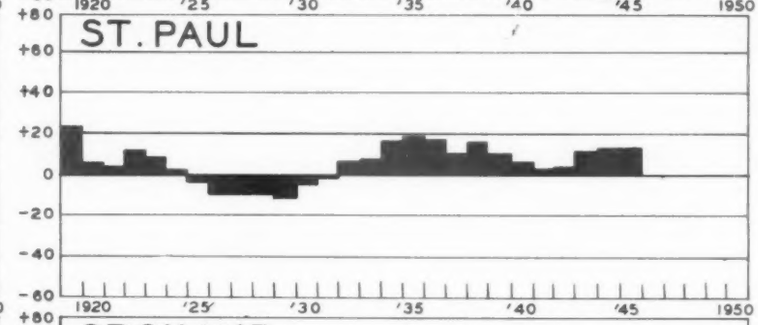


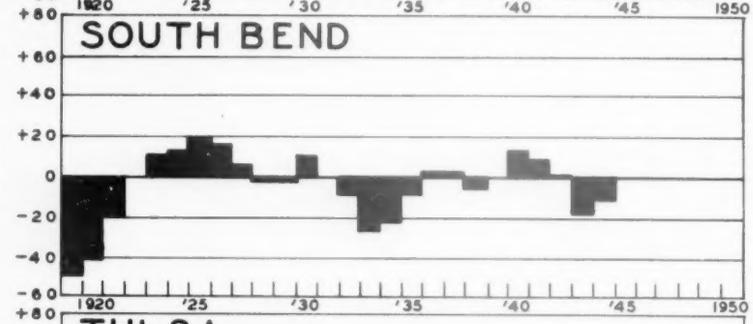


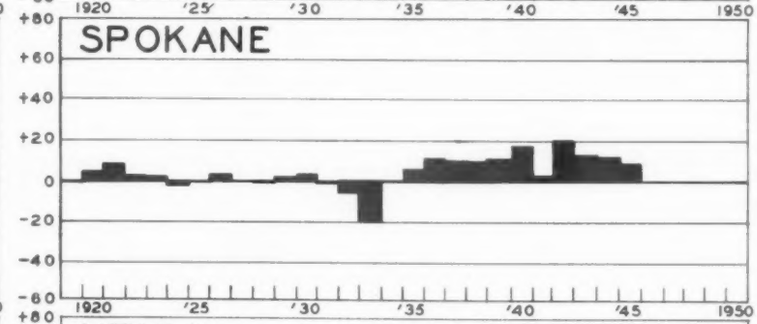


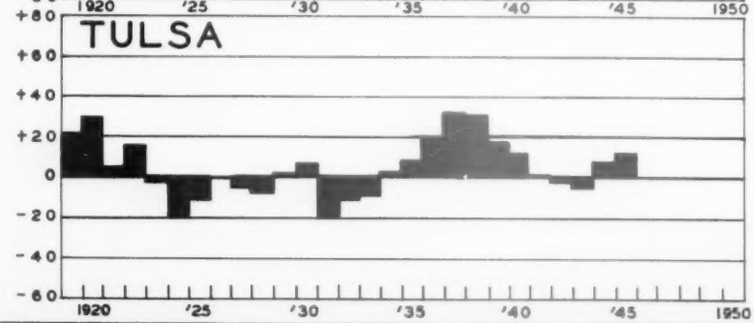


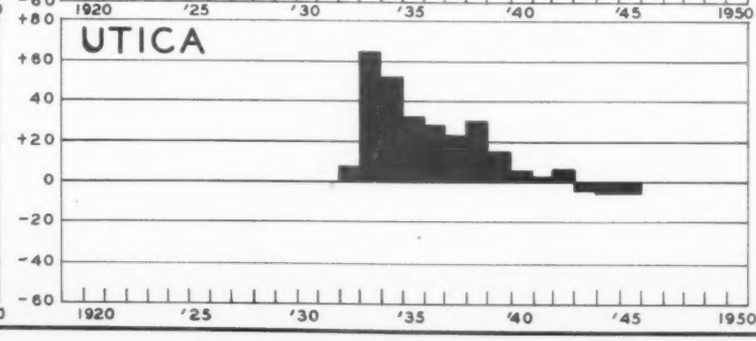












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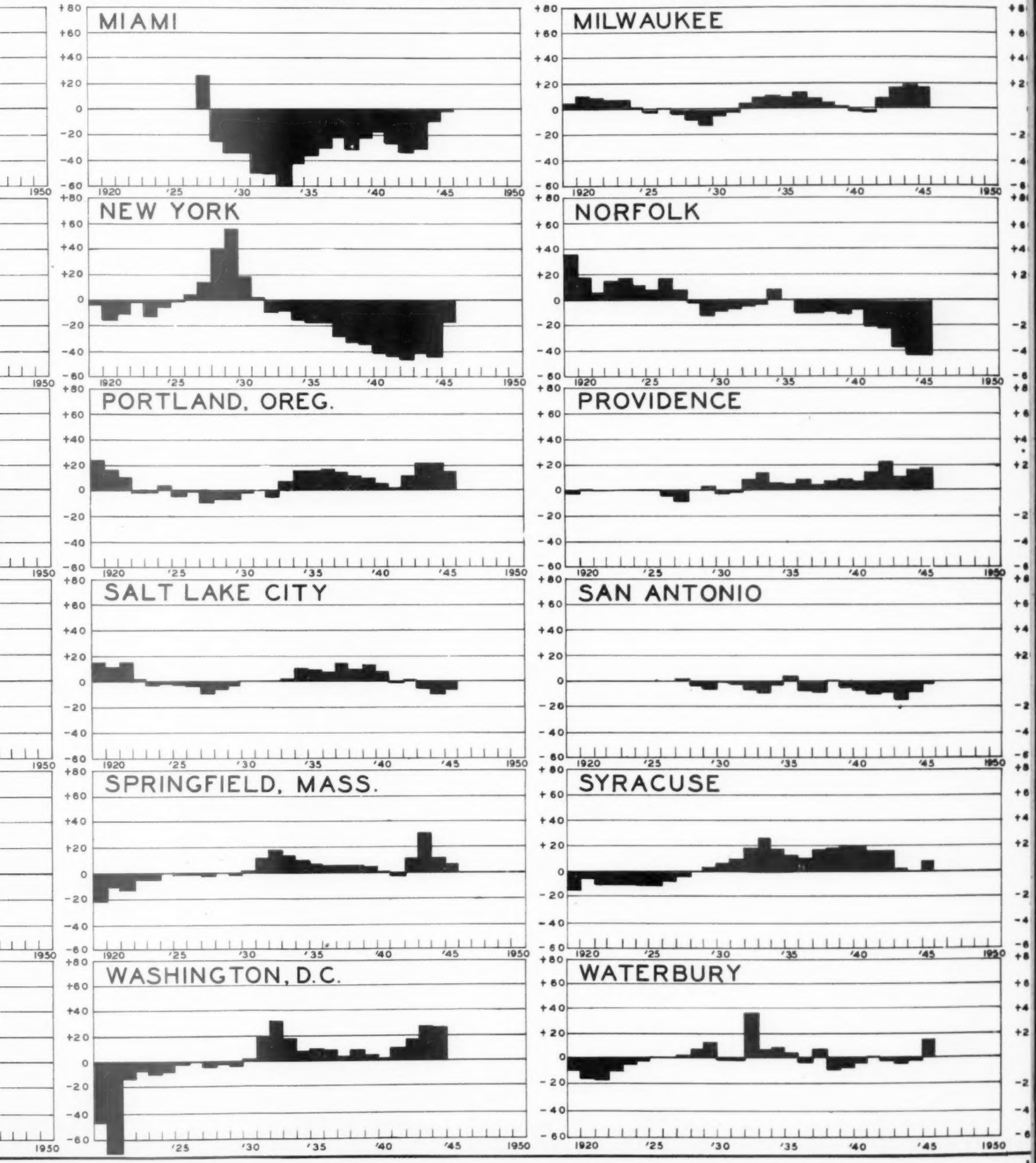
VARIATIONS FROM THE NATIONA



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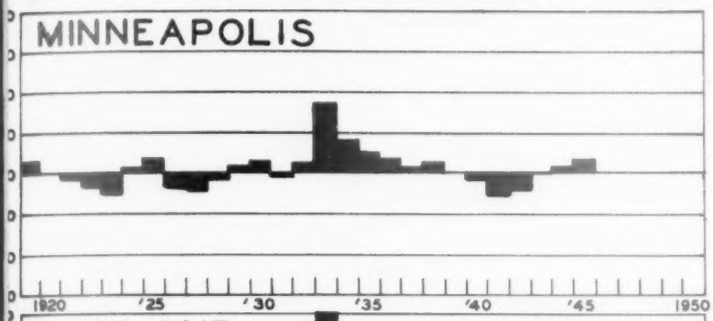

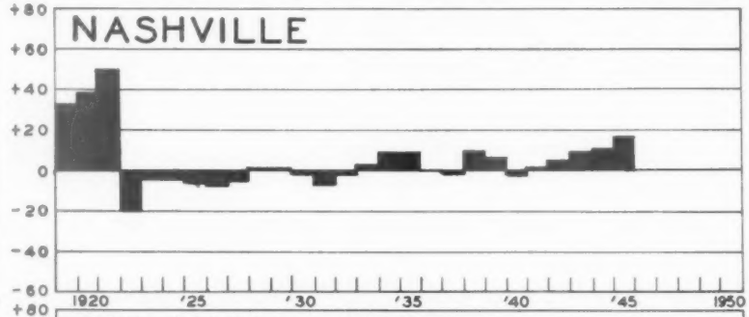

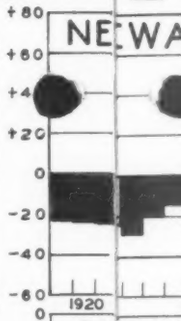

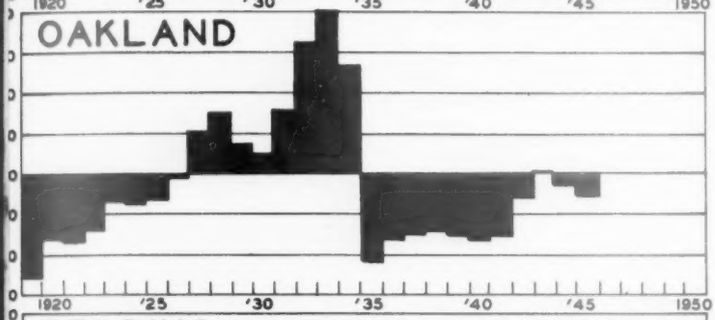

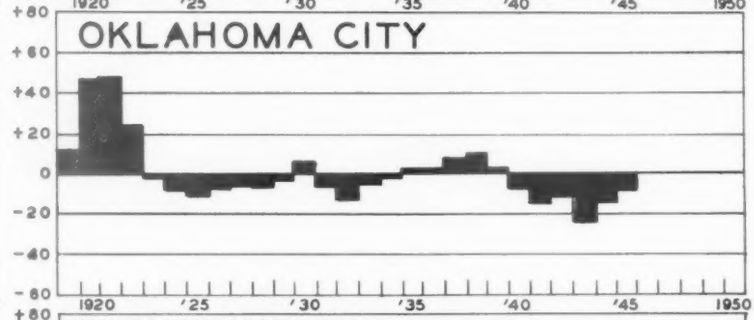

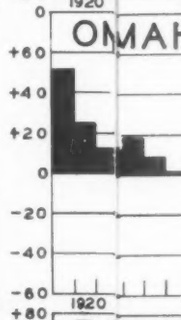

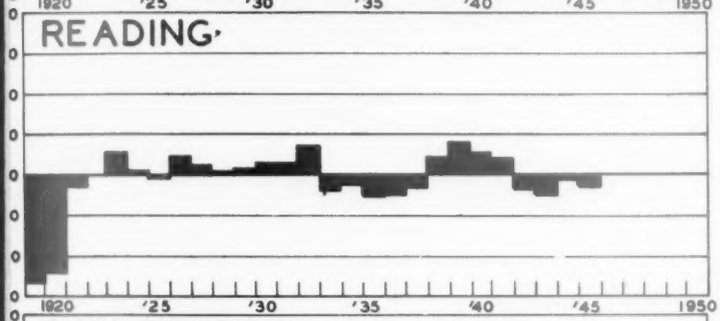

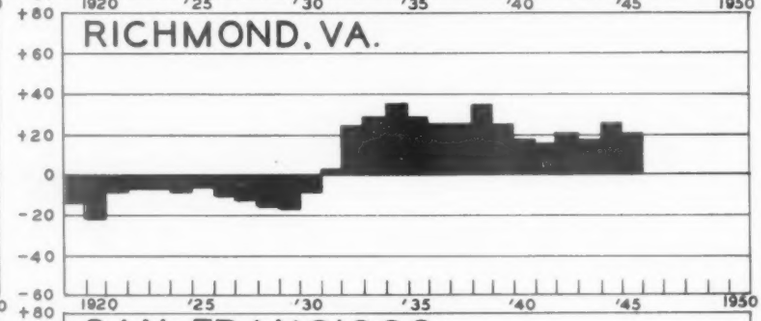

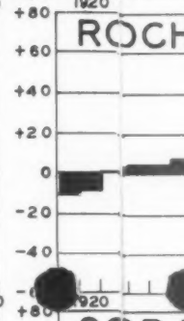

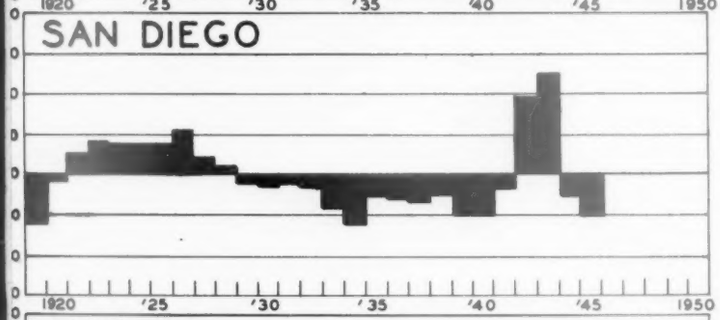

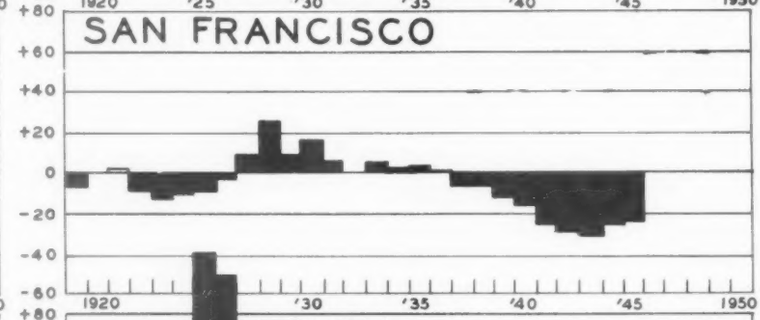

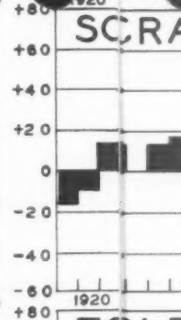

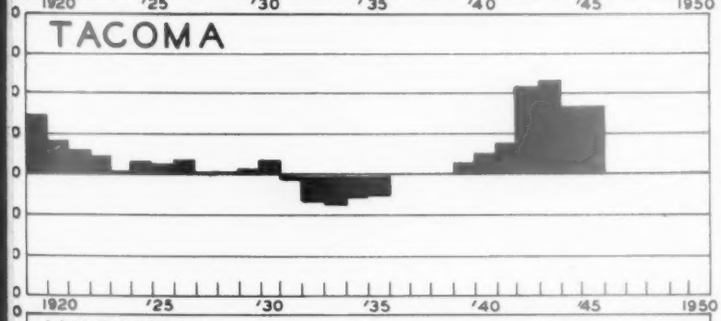

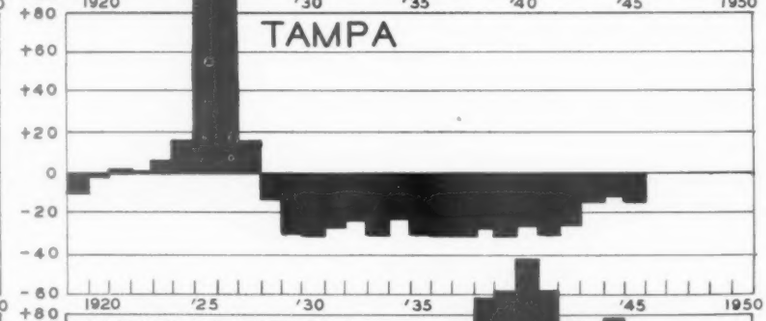

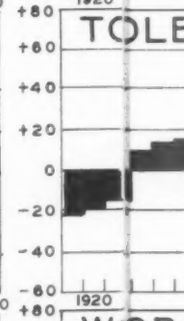

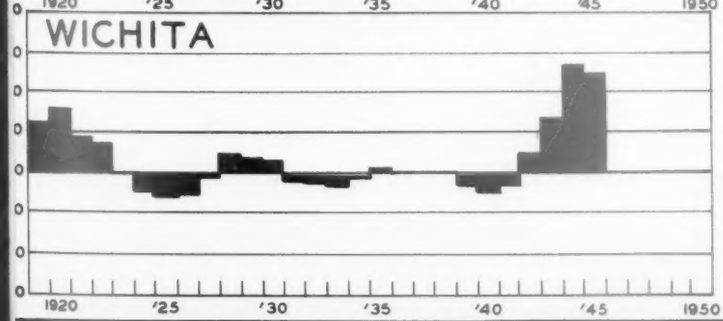

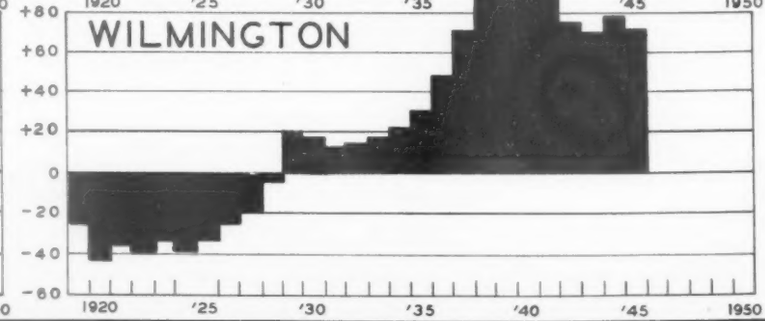

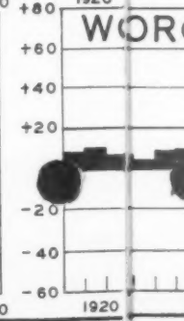

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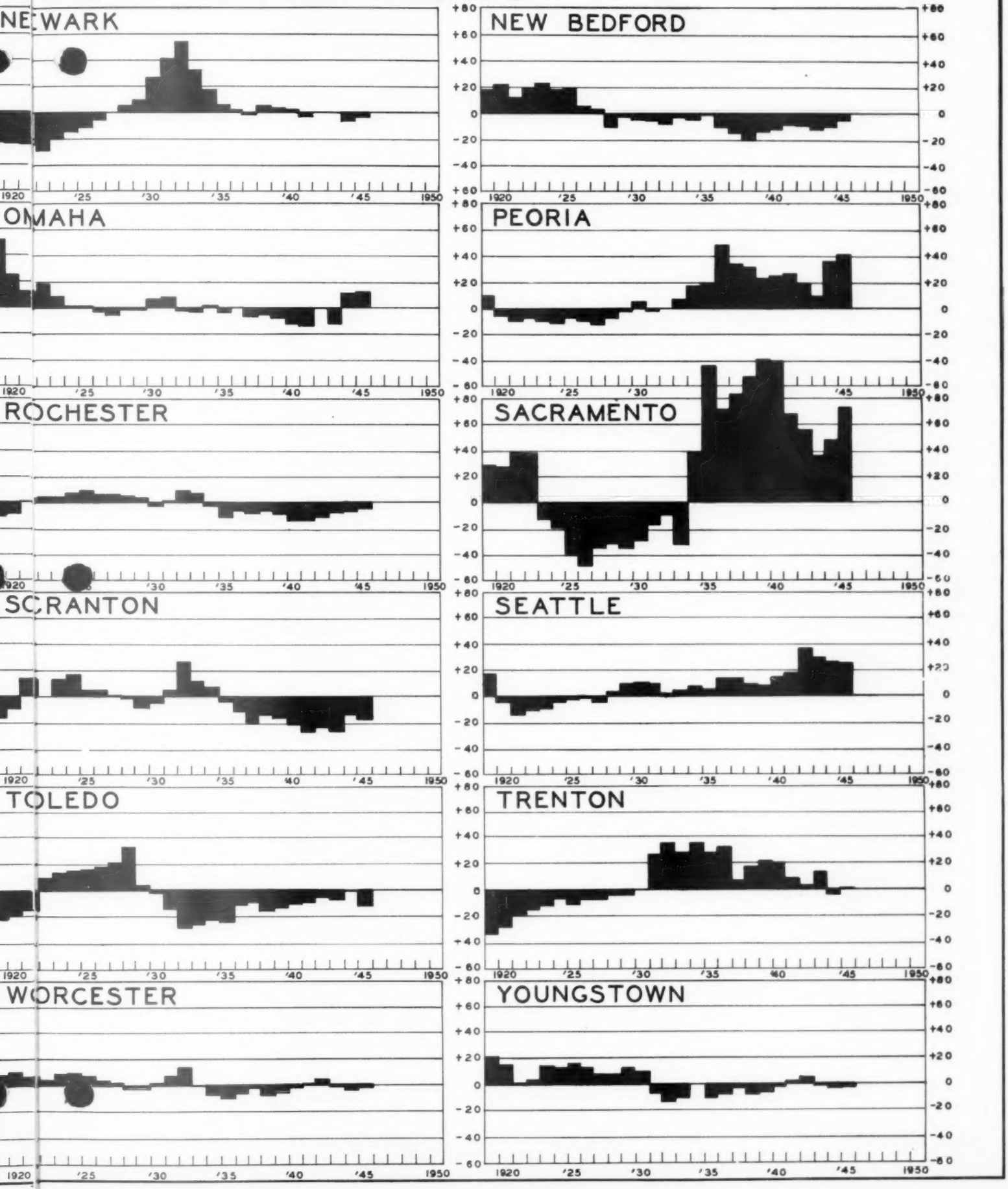

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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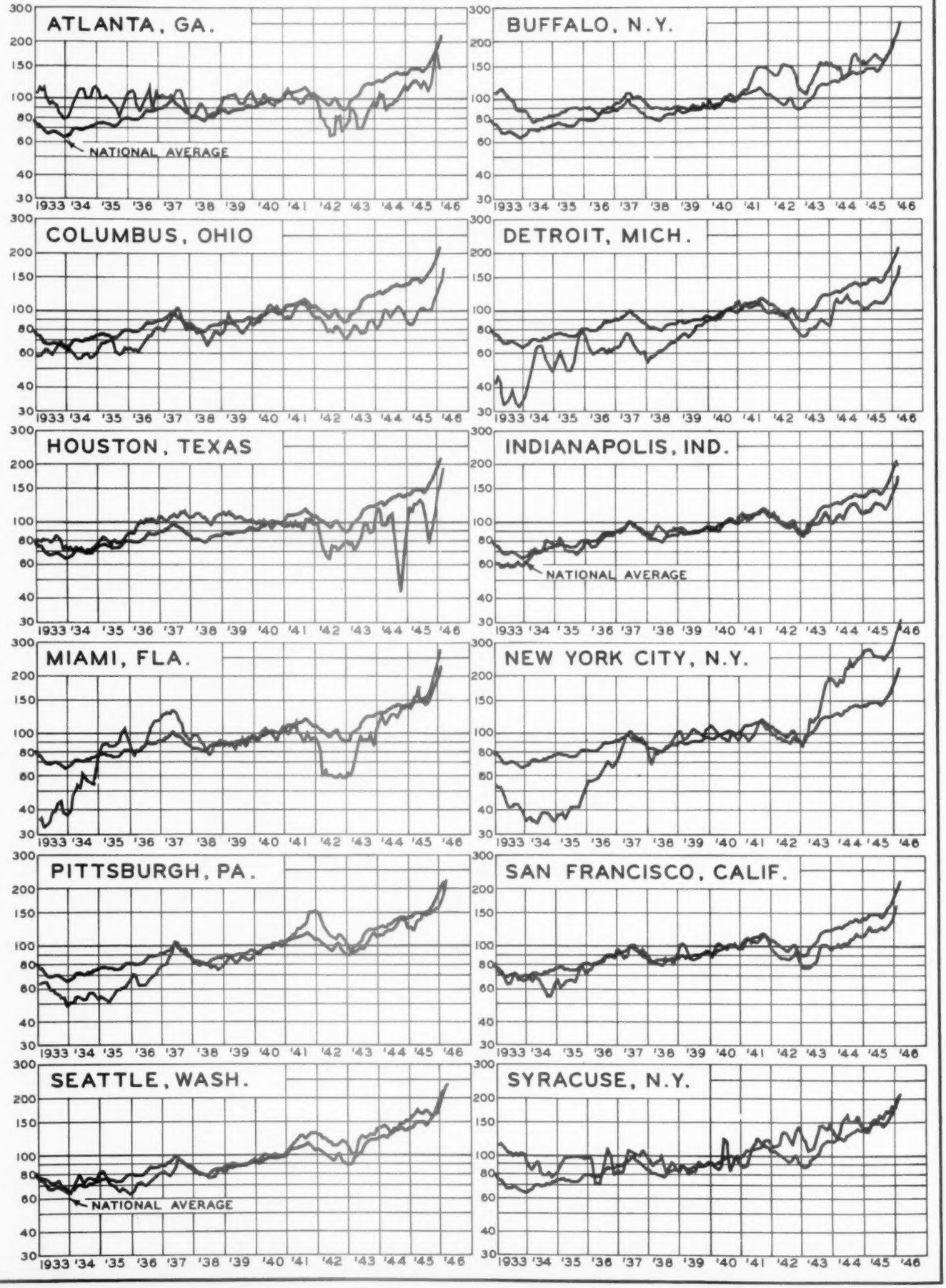

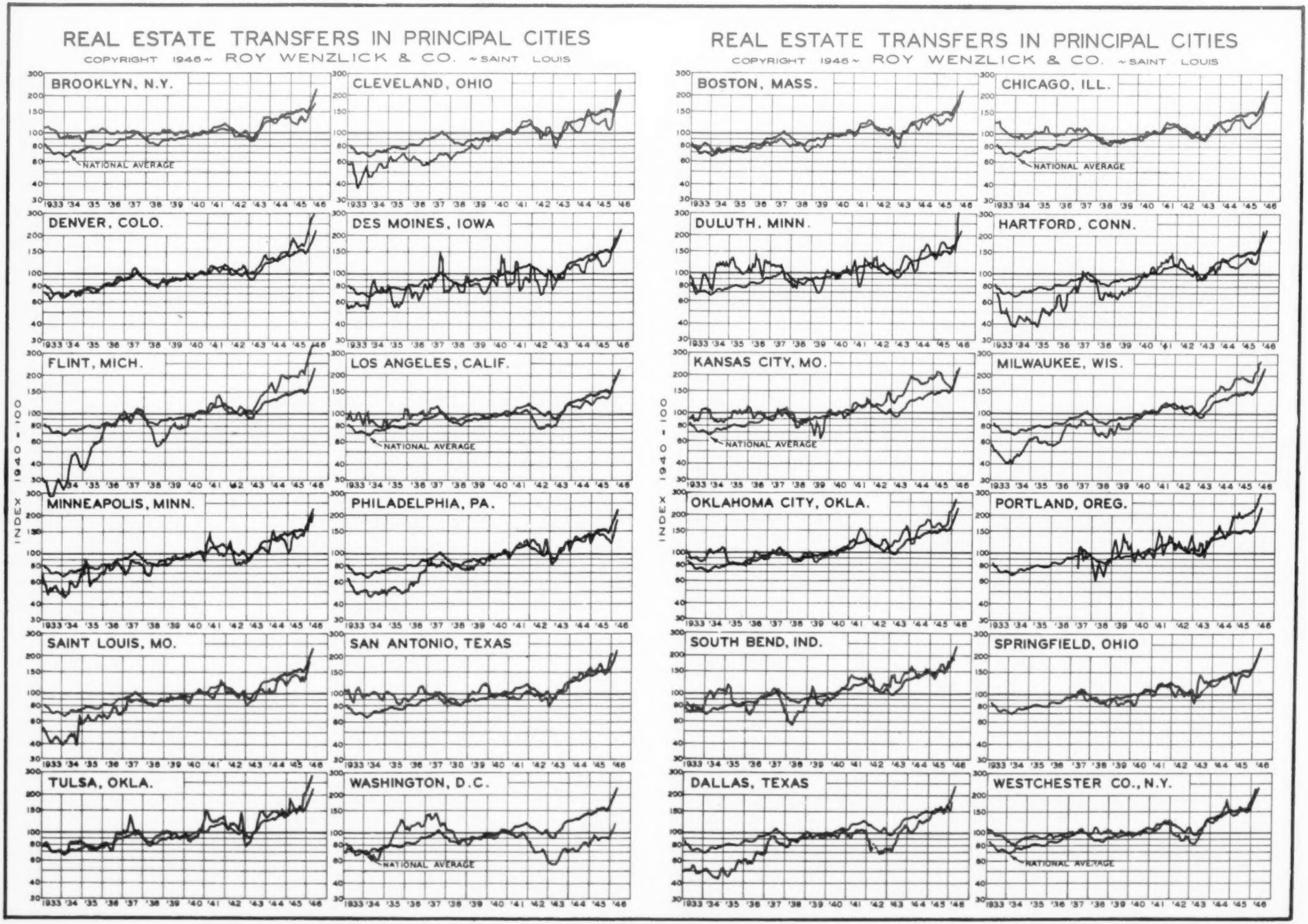
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CLEVELAND, OHIO
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LOS ANGELES, CALIF.
MINNEAPOLIS, MINN.
PHILADELPHIA, PA.
SAINT LOUIS, MO.
SAN ANTONIO, TEXAS
TULSA, OKLA.
WASHINGTON, D.C.
NATIONAL AVERAGE
1933 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44 '45 '46
REAL ESTATE TRANSFERS IN PRINCIPAL CITIES
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BOSTON, MASS.
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KANSAS CITY, MO.
MILWAUKEE, WIS.
OKLAHOMA CITY, OKLA.
PORTLAND, OREG.
SOUTH BEND, IND.
SPRINGFIELD, OHIO
DALLAS, TEXAS
WESTCHESTER CO., N.Y.
NATIONAL AVERAGE
1933 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44 '45 '46

ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS

1920 ... 247,000	1925 ... 937,000	1930 ... 330,000	1935 ... 221,000
1921 ... 449,000	1926 ... 849,000	1931 ... 254,000	1936 ... 319,000
1922 ... 716,000	1927 ... 810,000	1932 ... 134,000	1937 ... 336,000
1923 ... 871,000	1928 ... 753,000	1933 ... 93,000	1938 ... 406,000
1924 ... 893,000	1929 ... 509,000	1934 ... 126,000	1939 ... 515,000

MONTHLY FIGURES

	1940	1941	1942	1943	1944	1945	1946
January	25,700	41,200	34,500	45,000	17,300	7,700	37,900
February	36,900	43,700	51,300	40,100	13,500	8,500	45,300
March	46,000	60,200	52,700	33,000	18,100	13,200	
April	62,900	75,200	59,700	26,700	14,300	20,500	
May	57,000	70,700	60,600	33,600	16,500	19,400	
June	44,100	77,200	46,300	21,800	17,500	20,400	
July	57,600	74,600	26,700	24,200	14,500	23,300	
August	55,800	69,800	27,500	27,600	12,800	20,200	
September	58,400	67,000	40,400	24,300	11,300	21,500	
October	66,200	56,200	32,200	28,100	10,800	29,800	
November	44,900	46,600	30,400	26,100	11,600	31,300	
December	47,000	32,800	34,300	19,500	10,800	28,700	

CUMULATIVE FIGURES

January	25,700	41,200	34,500	45,000	17,300	7,700	37,900
February	62,600	84,900	85,800	85,100	30,800	16,200	83,200
March	108,600	145,100	138,500	118,100	48,900	29,400	
April	171,500	220,300	198,200	144,800	63,200	49,900	
May	228,500	291,000	258,800	178,400	79,700	69,300	
June	272,600	368,200	305,100	200,200	97,200	89,700	
July	330,200	442,800	331,800	224,400	111,700	113,000	
August	386,000	512,600	359,300	252,000	124,500	133,200	
September	444,400	579,600	399,700	276,300	135,800	154,700	
October	510,600	635,800	431,900	304,400	146,600	184,500	
November	555,500	682,400	462,300	330,500	158,200	215,800	
December	602,500	715,200	496,600	350,000	169,000	244,500	

12-MONTH MOVING TOTALS

January	508,400	618,000	708,500	507,100	322,300	159,400	274,700
February	514,600	624,800	716,100	495,900	295,700	154,400	311,500
March	517,700	639,000	708,600	476,200	280,800	149,500	
April	537,700	651,300	693,100	443,200	268,400	155,700	
May	541,400	665,000	683,000	416,200	251,300	158,600	
June	539,600	698,100	652,100	391,700	247,000	161,500	
July	553,000	715,100	604,200	389,200	237,300	170,300	
August	557,600	729,100	561,900	389,300	222,500	177,700	
September	573,600	737,700	535,300	373,200	209,500	187,900	
October	596,900	727,700	511,300	369,100	192,200	206,900	
November	596,700	729,400	495,100	364,800	177,700	226,600	
December	602,500	715,200	496,600	350,000	169,000	244,500	

EXECUTIVE DIGEST

OF THE CURRENT REAL ESTATE ANALYST REPORTS

APRIL 1946

ROY WENZLICK & CO.

Real Estate Economists, Appraisers and Counselors

VOLUME XV

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Roy Wenzlick
Editor

REAL ESTATE ACTIVITY

In March urban real estate activity increased again by a large percentage, bringing it to a point on our long chart 127.3 per cent above the long-term computed normal. The final figure for February after the returns from all cities were in was higher than the preliminary figure previously given and stood at 112.8 per cent above the long-term normal. These figures can be used for bringing up to date the large wall chart published in January.

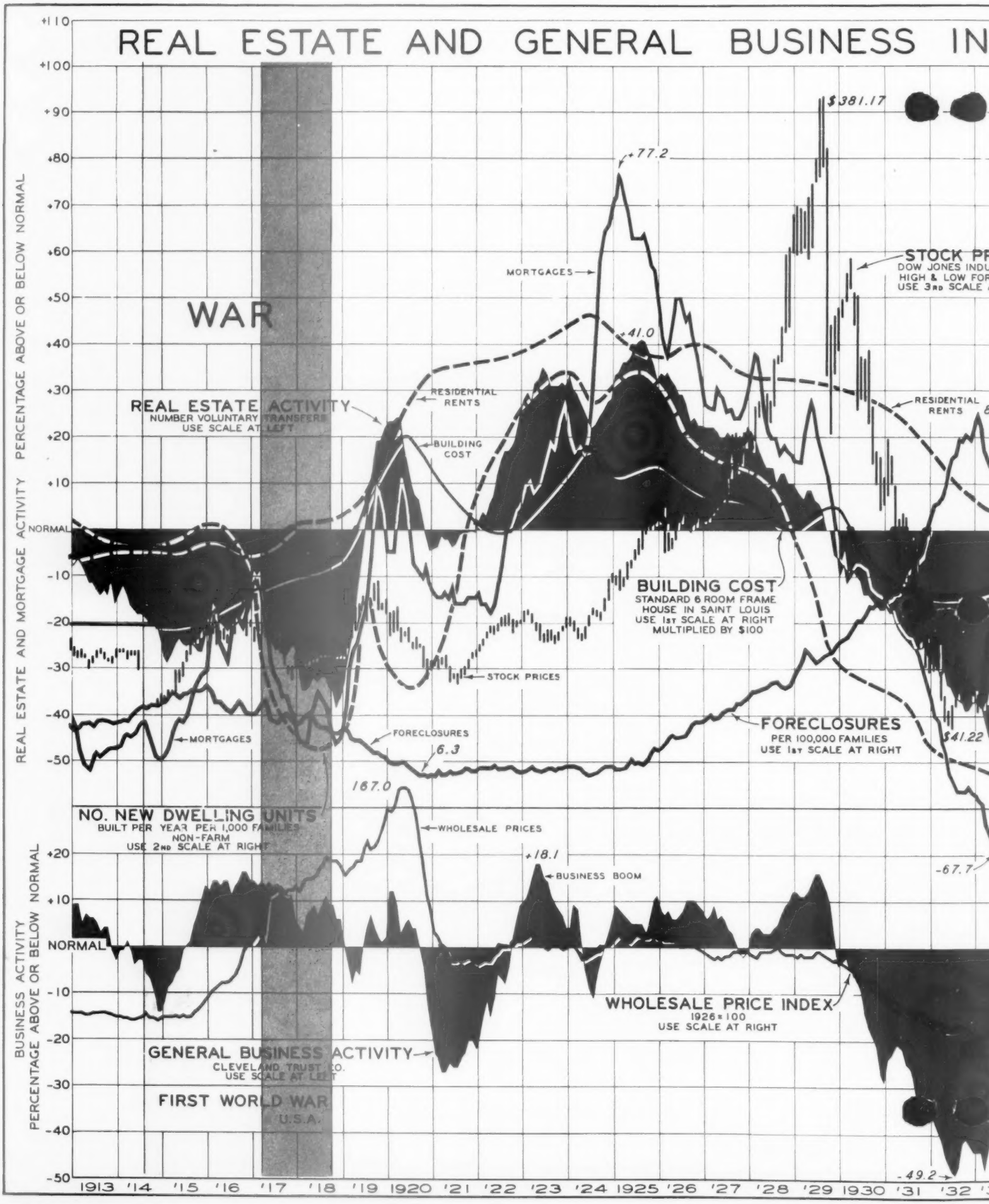
We have again published on the fold-in page of this report the two charts which show urban real estate activity without the corrections which appear in our final chart. The upper of these two charts shows real estate transfers corrected for seasonal variations and for the increase in the number of families in the urban areas for which transfer figures are used. The figures are charted in relationship to the 1926 base and are not charted as figures above or below normal. For March the preliminary figure on this chart is approximately 45 per cent above the 1926 level. It is 29 per cent above the highest point reached in 1925, the top of the real estate boom of the twenties.

The red line on this chart shows the normal line which we have been using in computing our final figures. We are at present examining very closely all of the problems involved in trying to determine the present level of this normal line and our report next month will show our new estimates and the reasons for them. The bottom chart on the fold-in page shows the index of real estate activity corrected only for seasonal fluctuations. There is no correction in these figures for population growth during the period from 1910 to the present. Real estate activity at the present time is almost exactly double the level of 1926 and is 83 per cent above the highest point reached in the boom of the twenties.

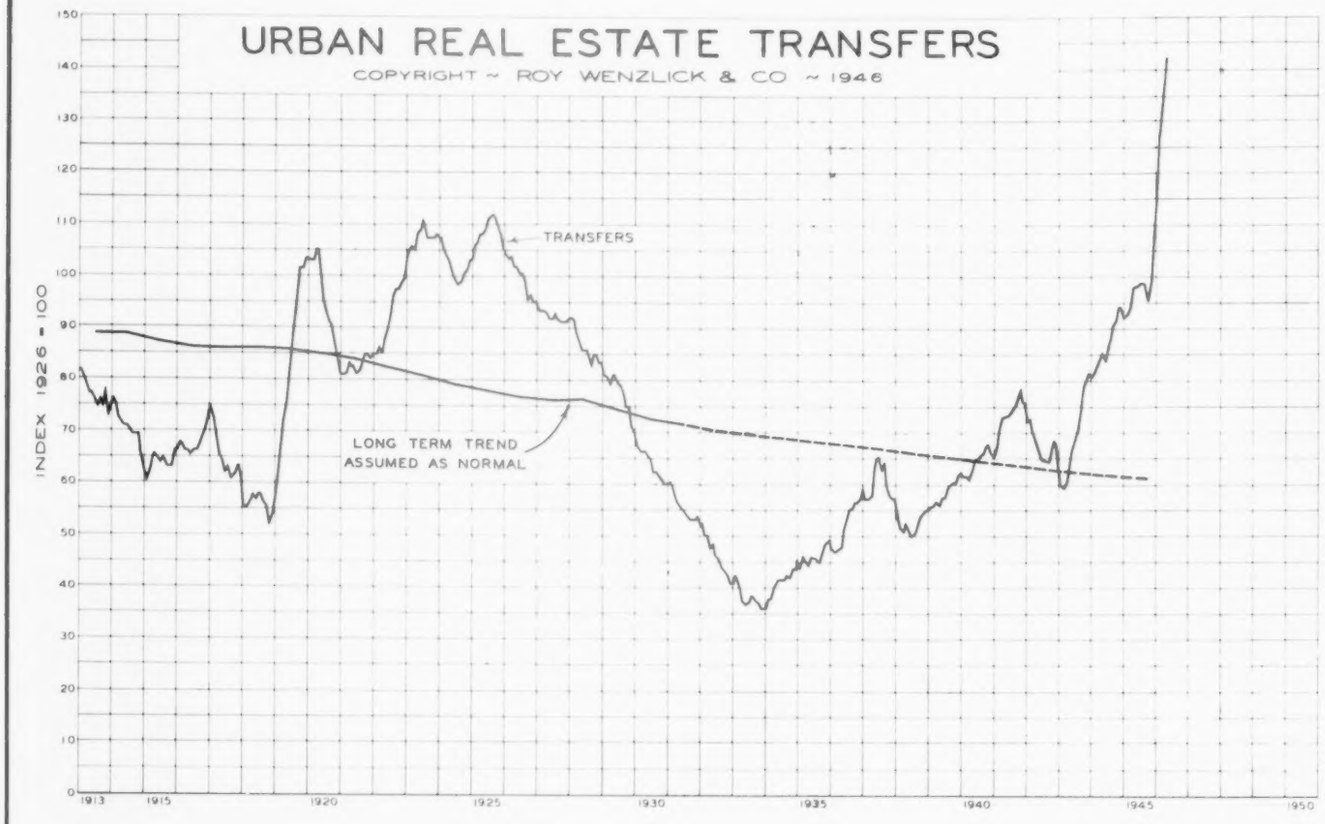
Why so much attention in our reports on real estate activity? We have found that in each boom of the past our index of real estate activity started declining and the foreclosure index started rising several years before real estate men and the general public realized that the boom was coming to an end. By watching this index, the proper time to sell should be quite apparent. So long as foreclosures remain at their present low level and activity continues to advance or to maintain the present high levels, it is wiser to continue to hold city properties.

REAL ESTATE MORTGAGES

Mortgage activity showed a large increase again in March with a final figure 15.2 per cent above the long-term computed normal. Real estate mortgage activity is now higher than it has been at any time since the stock market


REAL ESTATE AND GENERAL BUSINESS IN
REAL ESTATE AND MORTGAGE ACTIVITY PERCENTAGE ABOVE OR BELOW NORMAL
BUSINESS ACTIVITY PERCENTAGE ABOVE OR BELOW NORMAL
+110
+100
+90
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
-10
-20
-30
-40
-50
WAR
REAL ESTATE ACTIVITY
NUMBER VOLUNTARY TRANSFERS
USE SCALE AT LEFT
RESIDENTIAL RENTS
BUILDING COST
MORTGAGES
+77.2
+41.0
$381.17
STOCK PR
DOW JONES INDU
HIGH & LOW FOR
USE 3RD SCALE
RESIDENTIAL RENTS
BUILDING COST
STANDARD 6 ROOM FRAME
HOUSE IN SAINT LOUIS
USE 1ST SCALE AT RIGHT
MULTIPLIED BY $100
STOCK PRICES
MORTGAGES
FORECLOSURES
6.3
FORECLOSURES
PER 100,000 FAMILIES
USE 1ST SCALE AT RIGHT
$41.22
167.0
NO. NEW DWELLING UNITS
BUILT PER YEAR PER 1,000 FAMILIES
NON-FARM
USE 2ND SCALE AT RIGHT
WHOLESALE PRICES
+18.1
BUSINESS BOOM
-67.7
WHOLESALE PRICE INDEX
1926=100
USE SCALE AT RIGHT
GENERAL BUSINESS ACTIVITY
CLEVELAND TRUST CO.
USE SCALE AT LEFT
FIRST WORLD WAR
U.S.A.
-49.2
1913 '14 '15 '16 '17 '18 '19 1920 '21 '22 '23 '24 1925 '26 '27 '28 '29 1930 '31 '32

INDICATORS
ROY WENZLICK & CO.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS
TOCK PRICES
JONES INDUSTRIALS
H & LOW FOR MONTH
3RD SCALE AT RIGHT
WAR
RESIDENTIAL RENTS
84.6
RESIDENTIAL RENTS
1923=100
USE 1ST SCALE AT RIGHT
FORECLOSURES
BUILDING COST
STOCK PRICES
NEW DWELLING UNITS
$41.22
-46.5
-67.7
NO. REAL ESTATE MORTGAGES
USE SCALE AT LEFT
+127.3
$9851
$200.56
$188.46
75.5
+15.2
10.2
4.8
108.3
-7.5
BUSINESS DEPRESSION
9.2
SECOND WORLD WAR
U.S.A.
COPYRIGHT 1948
1926-100
WHOLESALE PRICE INDEX
170 85 425
160 80 400
150 75 375
140 70 350
130 65 325
120 60 300
110 55 275
100 50 250
90 45 225
80 40 200
70 35 175
60 30 150
50 25 125
40 20 100
30 15 75
20 10 50
10 5 25
0 0 0
140
120
100
80
60
40
20
0
'31 '32 '33 '34 1935 '36 '37 '38 '39 1940 '41 '42 '43 '44 1945 '46 '47 '48 '49 1950


URBAN REAL ESTATE TRANSFERS
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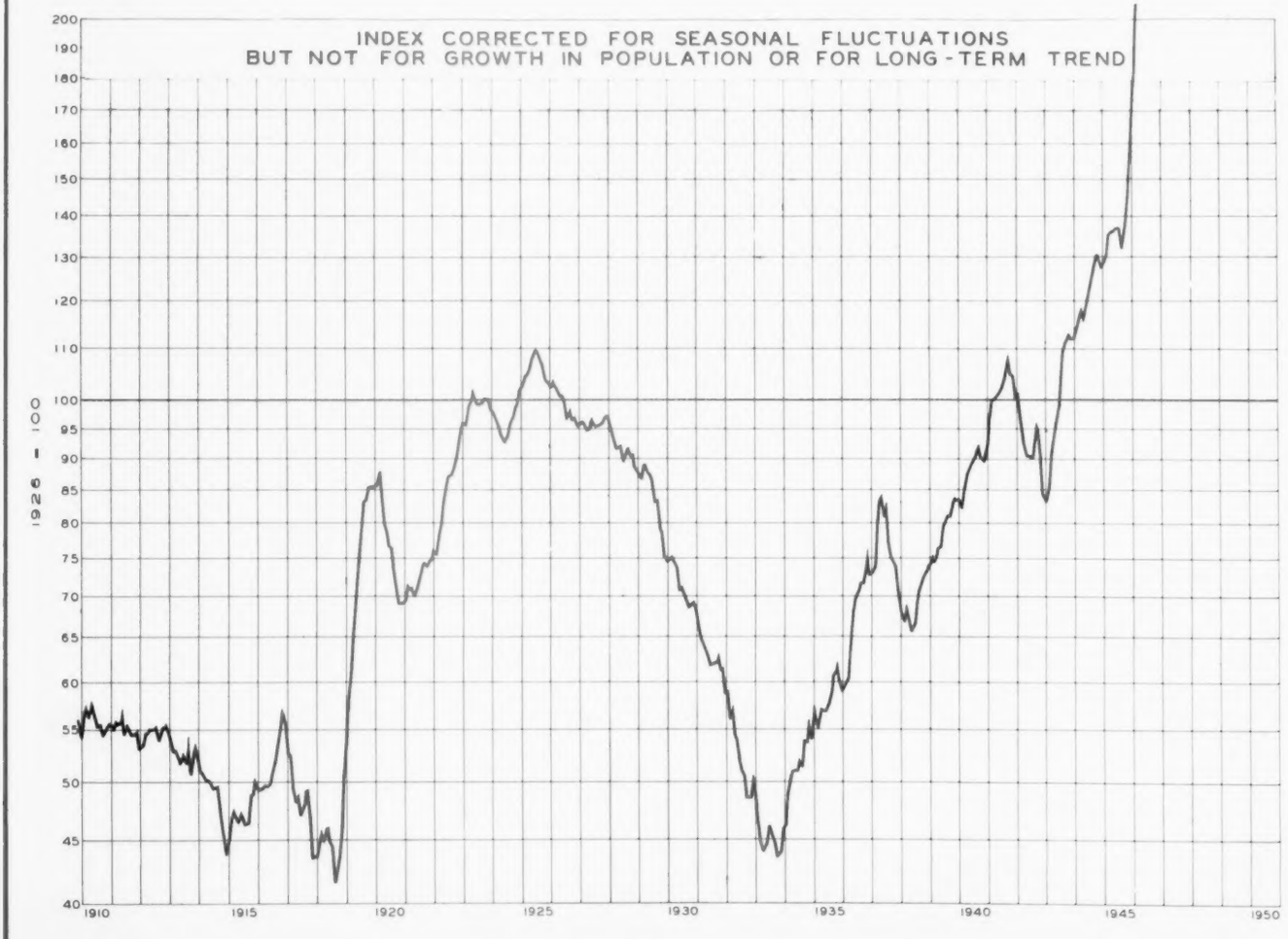
INDEX 1926 = 100
TRANSFERS
LONG TERM TREND
ASSUMED AS NORMAL
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
1913
1915
1920
1925
1930
1935
1940
1945
1950


INDEX CORRECTED FOR SEASONAL FLUCTUATIONS
BUT NOT FOR GROWTH IN POPULATION OR FOR LONG-TERM TREND
1926 = 100
200
190
180
170
160
150
140
130
120
110
100
95
90
85
80
75
70
65
60
55
50
45
40
1910
1915
1920
1925
1930
1935
1940
1945
1950

collapse in 1929. Mortgage activity will increase rapidly during the balance of this year as more homes get under construction.

FORECLOSURES

Our preliminary index of foreclosures for March stands at 4.8 foreclosures per hundred thousand families. This is slightly higher than the figures for the last year, but the difference is not significant. It is still below the level of any period prior to 1944. Until the foreclosure rate rises consistently, month after month, for a period of a year or more, there is no reason for thinking that the present boom has run its course.

RESIDENTIAL BUILDING

The March figure for new building is not yet available, but in the first two months of 1946 we built 83,200 new family accommodations in all nonfarm areas of the United States. This compares with 16,200 in 1945. It is about equal to the number built in the first two months of either 1941, 1942 or 1943. In the last twelve months we have built 311,500 nonfarm dwellings.

The building done in the first two months of this year was all started before the present Wyatt program was under way. The Wyatt program will not accomplish its objectives as the restrictions put on building will decrease building volume over the amount which could be done were building given its head.

BUILDING COSTS

The cost of building our six-room standard frame residence in St. Louis in March was $9851. This is an increase of $60 over the February figure. It was due to a slight increase in brick, unfinished lumber and heating and plumbing. Labor costs increased slightly because of the increases for bricklayers, hod carriers, plasterers' helpers and electricians.

The cost of building this house each month for the last two years is shown in the table below.

1944		1945		1946	
January	$7581	January	$8064	January	$9759
February	7581	February	8081	February	9759
March	7581	March	8081	March	9791
April	7739	April	8081	April	9851
May	7757	May	8081		
June	7757	June	8084		
July	7757	July	8289		
August	7887	August	9351		
September	7871	September	9375		
October	7891	October	9404		
November	7904	November	9423		
December	8064	December	9423		

The figures given above on building costs are all computed on the basis of legal prices in spite of the fact that a large volume of building is being done with black market materials. Probably a very large percentage of all building done has some black market prices in the final total. Were our building in St. Louis built in April 1946 and were the lumber items alone to be purchased at the current rate on the black market, the cost of the building materials would advance from $4416 to $5313, and the total cost of the house

would increase from $9851 to $10,855, an increase of $1,004.

Were a more realistic approach to the price problem adopted by the OPA, legal prices would rise and black market prices would practically disappear. It would be unnecessary to raise the legal price to the present black market price in order to get a large increase in production. The actual cost of the house would be less in spite of higher price ceilings. If the black market price on lumber is considered in the cost of building this house today, present construction cost is 83 per cent above the level which prevailed at the beginning of the war in Europe. If legal prices only are considered, the cost is 66 per cent above the September 1939 figure.

RENTS

We believe that the OPA will be renewed in June for at least a nine-month period with the amendments passed by the House greatly diluted by the Senate. Rent control, however, will be continued during all of 1947, and probably longer. It is possible that it may be with us for many years. A slight increase in rent ceilings is the best that can be expected by real estate owners. At the end of the OPA, rent control will probably be transferred to the FHA.

BUSINESS ACTIVITY

In spite of the coal strike and in spite of the fact that over 1000 strikes are now on notice (the largest number on record), business has stopped declining and has started a slow recovery. Industry has reconverted but government has not. At the present time there are 2500 more government employees in the Washington area than there were at the peak. Total Federal civilian employees reached an all-time peak in July 1945 at a point 387 per cent of the September 1939 level. After increasing by almost four times, it has only dropped by about one-fourth. The Federal use of private office space increased by 335 per cent during the war and has now dropped approximately 3 per cent. Before the Appropriations Committee last week the various agencies gave out the information that they will need 100,000 more employees than had previously been contemplated.

PRICE LEVEL

If the OPA were discontinued (it will not be), the general price level in the United States would probably increase by less than 10 per cent, would level off and would then start a long decline. If the OPA is continued, prices will be higher two years from now than they would be without it, as the OPA has been a definite limiting factor on production.

STOCK MARKET

For the long pull the stock market is still believed to be at an attractive level. The sideways movement at the present time is a natural reaction from the rises we have experienced and is in no way discouraging. The fact that the market has not reacted more seriously to the coal strike and to the other adverse factors in the picture is quite encouraging.